

# Index Sheet

Ope Id No: 03912300

School Name: CROSSETT SCHOOL OF COMETOLOGY

Subfolder: Program Review/FPRD

Doc Type: FPRD with Attachments

Rec Date:

Org Date:

School Year: 2013

ACN:

PRCN:

Box ID: 1499

Unique ID: SC1000000827660





January 25, 2013

Mr. Robby Freeman  
Chief Executive Officer  
Crossett School of Cosmetology  
121 Pine Street  
Crossett, AR 71635

Certified Mail  
Return Receipt Requested  
#7011 2000 0000 8054 3182

RE: **Final Program Review Determination**  
OPE ID: 03912300  
PRCN: 201240628013

Dear Mr. Freeman:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on October 12, 2012, covering Crossett School of Cosmetology's (Crossett's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2011-12 award year. Crossett's final response was received on November 19, 2012. A copy of the program review report (and related attachments) and Crossett's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Crossett upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

**Purpose:**

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

The total liabilities due from the institution from this program review are \$2,729.60.

This final program review determination contains detailed information about the liability determination for all findings.

**Federal Student Aid**

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

Dallas School Participation Division

1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817

### **Protection of Personally Identifiable Information (PII):**

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the finding in the attached report does not contain any student PII. Instead, the finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

### **Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the October 12, 2012, program review report. If Crossett wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date Crossett receives this FPRD. An original and four copies of the information Crossett submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director  
Administrative Actions and Appeals Service Group  
U.S. Department of Education  
Federal Student Aid/PC  
830 First Street, NE - UCP3, Room 84F2  
Washington, DC 20002-8019

Crossett's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Crossett's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of**

**funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

**Record Retention:**

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Bruce Anderson at (214) 661-9470. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

**Sincerely,**

(b)(6); (b)(7)(C); (b)(7)(C)

  
Cynthia Thornton, Director  
Dallas School Participation Division

**Enclosure: Final Program Review Determination**

cc: Lori Freeman, Financial Aid Director  
National Accrediting Commission of Career Arts and Sciences  
Arkansas Board of Cosmetology

Prepared for  
**Crossett School of Cosmetology**

**Federal Student Aid**  
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**OPE ID 03912300**  
**PRCN 201240628013**

Prepared by  
**U.S. Department of Education**  
**Federal Student Aid**  
**Dallas School Participation Division**

**Final Program Review Determination**  
*January 25, 2013*

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**A. Institutional Information**

Crossett School of Cosmetology  
121 Pine Street  
Crossett, AR 71635

Type: Proprietary

Highest Level of Offering: Non-degree, 1 year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 38 (2011-2012)

% of Students Receiving Title IV: 97% (2011-2012)

Title IV Participation: School Participation Team Funding Report

Federal Pell Grant (Pell)	<u>2010-11</u>
William D. Ford Federal Direct Loan (Direct Loan)	\$ 118,770
	\$ 137,066

Default Rate FFEL/DL:	2010	21.0 %
	2009	16.1 %
	2008	11.7 %

### **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Crossett School of Cosmetology (Crossett) from August 13, 2012, to August 15, 2012. The review was conducted by Bruce Anderson and Brittney Stubblefield.

The focus of the review was to determine Crossett's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Crossett's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 15 files was identified for review from the 2011-12 award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for the award year.

#### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Crossett's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Crossett of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

## **C. Findings and Final Determination**

### **Resolved Findings** **Findings 1-7 and 9**

Crossett has taken the corrective actions necessary to resolve findings 1-7 and finding 9 of the program review report. Therefore, these findings may be considered closed. A copy of Crossett's response to the Program Review Report is attached as Appendix C. The finding requiring further action by Crossett is discussed below.

### **Finding with Final Determination**

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of Crossett's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on October 12, 2012, is attached as Appendix B.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

### **Finding 8: Ineligible Pell Grant Disbursement**

**Citation:** *The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends full-time for a full academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. For example, the 2011-12 award year begins July 1, 2011 and ends June 30, 2012. 34 C.F.R. § 600.2*

**Noncompliance:** *Student #2 began attendance May 23, 2010, during the 2009-10 award year. The student's second disbursement occurred September 28, 2010 in the amount of \$2,675, after the beginning of the 2010-11 award year. However, there was no 2010-11 ISIR on file for the student. Crossett paid the 2010-11 disbursement using the 2009-10 ISIR. Since there was no 2010-11 application on file, this was an ineligible disbursement.*

**Required Action:** *Crossett must submit documentation that the student was in fact eligible for the disbursement made during the 2010-11 award year. If Crossett is unable to submit the required documentation, the ineligible disbursement must be returned to the program. Documentation that the required return was made must be submitted in Crossett's response.*

**Crossett's Response:** Crossett concurred that the student was ineligible for the 2009-10 disbursement made during the 2010-11 award year, as referenced in Appendix C.

**Final Determination:** Though the student referenced in this finding was indicated as student #2, the student to which this finding pertains is student #4. Crossett is liable for the Federal Pell Grant overaward of \$2,675. In addition, a calculation has been computed to determine the amount of the interest, known as the Cost of Funds, due on the Federal Pell Grant funds that the student was

Crossett School of Cosmetology

OPE ID 03912300

PRCN 201240628013

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not eligible to receive. The amount of interest is \$54.60. Therefore, the total liability to be remitted for this finding is \$2,729.60. The Cost of Funds calculation is included as Appendix D.

### D. Summary of Liabilities

The total amount calculated as liabilities from the finding in the program review determination is as follows.

<b><u>Established Liabilities</u></b>		
<b>Initial Liabilities</b>	<b>Pell (Closed Award Years)</b>	
<b>Finding 8</b>	<b>\$ 2,675.00</b>	
<b><u>Subtotal 1</u></b>	<b>\$ 2,675.00</b>	
<b>Interest/SA (Finding 8)</b>	<b>\$ 54.60</b>	
<b><u>Subtotal 2</u></b>	<b>\$ 54.60</b>	
<b><u>TOTAL</u></b>	<b>\$ 2,729.60</b>	
<b><u>Payable To:</u></b>		<b>Totals</b>
<b><u>Department</u></b>	<b>\$ 2,729.60</b>	<b>\$ 2,729.60</b>

### **E. Payment Instructions**

Crossett owes to the Department \$2,729.60. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education  
P.O. Box 979026  
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

***Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).***

The following identification data must be provided with the payment:

Amount: \$2,729.60  
DUNS: 106762821  
TIN: 710849754  
Program Review Control Number: 201240628013

### **Terms of Payment**

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Crossett is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Crossett's account representative.

If full payment cannot be made within 45 days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
OCFO Financial Management Operations  
Accounts Receivable Group  
550 12th Street, S.W., Room 6114  
Washington, DC 20202-4461

If within 45 days of the date of this letter, Crossett has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Crossett from the Federal Government. **Crossett may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Crossett must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

For the finding, Crossett must repay:

Pell Grant Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 2,675.00	\$ 54.60	Pell Grant	2009-10
<b>Total Principal</b>	<b>Total Interest</b>		
\$ 2,675.00	\$ 54.60		

The disbursement record for the student identified in the finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated principal amount identified.

**Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.**

A copy of the adjustment to the student's COD record must be sent to Bruce Anderson **within 45 days of the date of this letter.**

## **F. Appendices**

**Appendix A: Student Sample**

**Appendix B: Program Review Report**

**Appendix C: Crossett's Written Response**

**Appendix D: Cost of Funds**

**Final Program Review Determination**  
**PRCN #: 201240628013**

### **Appendix A**

#### **Student Sample**

**Contains personally identifiable information and will be emailed to Crossett as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.**

**Final Program Review Determination**  
**PRCN #: 201240628013**

**Appendix B**  
**Program Review Report**



October 12, 2012

Mr. Robby Freeman  
Chief Executive Officer  
Crossett School of Cosmetology  
121 Pine Street  
Crossett, AR 71635

Certified Mail  
Return Receipt Requested  
No: 7011 2000 0000 8054 3113

**RE: Program Review Report**  
**OPE ID: 03912300**  
**PRCN: 201240628013**

Dear Mr. Freeman:

From August 13, 2012 through August 15, 2012, Bruce Anderson and Brittny Stubblefield conducted a review of Crossett School of Cosmetology's (Crossett's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by Crossett. The response should include a brief, written narrative for each finding that clearly states Crossett's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Crossett must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report<sup>1</sup> and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
  - a. A written statement addressing the institution's response;
  - b. A written statement of the basis for such report or determination; and
  - c. A copy of the institution's response.

<sup>1</sup> A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

**Federal Student Aid**

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by Crossett upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Bruce Anderson of this office within 30 calendar days of receipt of this letter.

**Protection of Personally Identifiable Information (PII):**

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. This appendix was provided to the institution while the reviewers were on site. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

**Record Retention:**

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Bruce Anderson at (214) 661-9470 or [bruce.anderson@ed.gov](mailto:bruce.anderson@ed.gov).

Sincerely,

(b)(6); (b)(7)(C); (b)(7)(D)

Jesus Moya  
Compliance Manager

cc: Lori Freeman, Financial Aid Director

Enclosure:  
Protection of Personally Identifiable Information

Prepared for  
**Crossett School of  
Cosmetology**

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**OPE ID 03912300**  
**PRCN 201240628013**

Prepared by  
**U.S. Department of Education  
Federal Student Aid  
Dallas School Participation Division**

## **Program Review Report**

**October 12, 2012**

**Dallas School Participation Division  
1999 Bryan Street, Suite 1410  
Dallas, Texas 75201-6817  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)  
1-800-4-FED-AID**

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**A. Institutional Information**

Crossett School of Cosmetology  
121 Pine Street  
Crossett, AR 71635

Type: Proprietary

Highest Level of Offering: Non-degree, 1 year

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Federal Pell Grant (Pell)	<u>2010-11</u> \$ 118,770
William D. Ford Federal Direct Loan (Direct Loan)	\$ 137,066

Default Rate FFEL/DL:	2010	21.0 %
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	2008	11.7 %

### **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Crossett School of Cosmetology (Crossett) from August 13, 2012 to August 15, 2012. The review was conducted by Mr. Bruce Anderson and Ms. Brittny Stubblefield.

The focus of the review was to determine Crossett's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Crossett's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 15 files was identified for review from the 2011-2012 award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year.

#### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Crossett's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Crossett of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

### **C. Findings**

During the review, areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Crossett to bring operations of the financial aid programs into compliance with the statutes and regulations.

#### **Finding 1. Campus Security Procedures Inadequate**

**Citation:** The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) and the Department's regulations require institutions to publish and distribute, by October 1 of each year, an annual security report that contains required crime statistics, as well as required statements and policies, to its current students and employees. Institutions must also inform prospective students and employees of the report's availability and provide a copy upon request.

The annual security report must report crime statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following offenses:

- Criminal homicide (murder and non-negligent manslaughter, and negligent manslaughter)
- Sex offenses (forcible sex offenses and non-forcible sex offenses)
- Robbery
- Aggravated assault
- Burglary
- Motor vehicle theft
- Arson
- Arrests for liquor law violations, drug law violations, and illegal weapons possession
- Persons not included in the above category who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession

An institution must report, by category of prejudice, the crimes in the categories listed above reported to local police agencies or to a campus security authority that manifest evidence that the victim was intentionally selected because of the victim's actual or perceived race, gender, religion, sexual orientation, ethnicity, or disability, as well as the crimes of larceny-theft, simple assault, intimidation, and destruction/damage/vandalism of property and, any other crime involving bodily injury. 34 C.F.R. § 668.46

**Noncompliance:** The crime statistics report provided to students and staff do not include all of the required crime categories. Specifically, Crossett does not include the following hate-crime specific categories:

- Larceny-theft
- Simple assault
- Intimidation
- Destruction/damage/vandalism of property

**Required Action:** Crossett must revise its annual security report to include all the required crime categories and provide a copy to all current students and employees.

Crossett may elect to distribute the report to its current students and employees via the web but, to do this, must provide an individual notice to each recipient that includes:

- A statement of the report's availability,
- A list and brief description of the information contained in the report,
- The exact electronic address of the Internet or Intranet Web site at which the report is posted, and
- A statement saying the school will provide a paper copy upon request.

#### **Finding 2: Use of Current Year Aid to Pay Prior Year Charges**

**Citation:** When crediting a student's account at the institution, Title IV, HEA program funds may be used to credit a student's account at the institution to satisfy:

(1) Current year charges for-

- Tuition and fees;
- Board, if the student contracts with the institution for board;
- Room, if the student contracts with the institution for room; and
- Other educationally related charges incurred by the student at the institution, if the institution obtains the student's or parent's authorization.

(2) Prior award year charges for a total of not more than \$200 for-

- Tuition and fees, room, or board; and
- Other educationally related charges incurred by the student at the institution, if the institution obtains the student's or parent's authorization.

*34 C.F.R. §§ 668.164(d) and 668.165(b)*

**Noncompliance:** Crossett used funds disbursed to students from the 2011-2012 award year to pay prior year charges in excess of \$200.00. All tuition and fees are charged to the student ledger at the beginning of the program. Therefore, all tuition and fees become allocable to that particular award year. All Title IV, HEA funds the student receives are posted to the student's account to reduce the charges, regardless of the award year in which the funds are received.

For example, student #2 enrolled in the program on August 15, 2011. Tuition and fees of \$12,950 were posted to her account. The Federal Pell Grant funds as well as Direct Loan she

received in 2011-12 were posted to her account. When she received 2012-13 Federal Pell Grant funds of \$1,850, the balance on her account was \$3,700.00. All of the Federal Pell Grant funds she received during the 2012-13 award year were applied to her outstanding balance, even though the tuition and fees were charged during the 2011-12 award year.

**Required Action:** Crossett is required to develop and submit to this office a procedure that will ensure the Department that this issue will not recur in any future audit or program review. In addition, Crossett must go through all accounts for currently enrolled students to apply this newly developed procedure as appropriate.

### **Finding 3: Credit Balance Deficiencies**

**Citation:** An institution is required to disburse credit balances created as a result of Title IV funding disbursements within 14 calendar days after the balance occurs, unless the institution has written authorization from the student to hold the funds on the account. Notwithstanding this authorization, the institution must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year in which they are awarded. *34 C.F.R. §§ 668.164(e) and 668.165(b)*

**Noncompliance:** Crossett failed to pay credit balances within the required timeframe for students in the 2011-12 award year.

For example, student #9 had Federal Direct Loan funds credited to her account on November 10, 2011, resulting in an overall credit balance of \$1,448.00. Additional loan funds were subsequently credited to the account on November 15, 2011. As of this date, the credit balance on the student account totaled \$6,176.00. A refund of \$328.00 was made to the student on December 9, 2011 and a second refund totaling \$5,758.00 appears to have been made on December 14, 2011 (though this second refund does not appear on the student ledger). Both of these refunds occurred after the end of the loan period and more than 14 days after the credit balance occurred.

**Required Action:** Crossett must determine if there are any outstanding credit balances for all currently enrolled students. If there are any credit balances on student accounts and Crossett does not have a valid written authorization to hold the credit balances, or if there is a credit balance as of the end of the loan period or award year, Crossett must submit documentation to show that all such credit balances have been paid to the students. In addition, Crossett must develop a procedure to ensure that credit balances payments are paid timely and submit it to this office.

In addition, it is important to note that all actions and charges applicable to a student should appear on the student ledger account in order to maintain accurate accounting for the Title IV, HEA funds.

**Finding 4: Inadequate Authorization to Hold Credit Balance Funds**

**Citation:** Title IV, HEA funds are to be used to pay for educational expenses a student incurs in the period for which the funds are provided. If an institution credits a student's account with Title IV, HEA funds, those funds can only be applied to allowable charges such as:

- Tuition and fees
- Board, if the student contracts with the institution for board,
- Room, if the student contracts with the institution for room, and
- Book Charges

An institution must obtain a student's or parent's written authorization to use Title IV, HEA funds to pay other costs or allowable charges. However, the institution may not require or coerce the student or parent to provide an authorization to pay for other charges or to hold credit balance funds. In addition, the student has the right to rescind the authorization at any time.

Notwithstanding any Title IV credit balance authorization, an institution must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA funds by the end of the last payment period in the award year for which they were awarded. Title IV, HEA funds are held in trust for the intended student beneficiaries and the Secretary. These funds may not be used or hypothecated (i.e. serve as collateral) for any other purpose.

*34 C.F.R. §§ 668.161, 668.164(e) and 668.165(b)*

**Noncompliance:** Crossett's credit balance authorization form is included in the contract and therefore it appears that this is, in fact, a requirement that the student provide the authorization. The authorization included in the contract does not indicate that the authorization can be rescinded at any time nor does it allow the student to opt out of this requirement.

**Required Action:** Crossett must revise its credit balance authorization requirements to ensure that it complies with regulations and all required information is provided. In addition, Crossett must provide a copy of the revised authorization form to its currently enrolled students. Please submit a copy of the revised form with the institutional response to the program review report.

**Finding 5: Blanket Packaging Policy/Loan Under-awards**

**Citation:** An institution may originate a loan for an amount less than the borrower's maximum eligibility. However, the institution must ensure that these decisions are documented, provided to the borrower in writing, made on a case-by-case basis, and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, disability status or income.

In addition, an institution cannot engage in a practice of certifying loans only in the amount needed to cover institutional charges or to limit unsubsidized borrowing by independent students. If an institution decides to reduce the amount of a loan, it must document the reason and provide an explanation to the student in writing. *34 C.F.R. § 685.301(a)(8)*

**Noncompliance:** It appears that Crossett's practice is to only process the loan in a sufficient amount to only cover tuition for the award year. Documentation in student files indicates that Crossett would determine the amount of unsubsidized loan a student would be initially offered based on the following formula:

$$\begin{array}{rcl} & \text{Tuition for the 900 hour award year} & \\ - & \text{Expected Pell Grant} & \\ - & \text{Subsidized Loan award} & \\ = & \text{Unsubsidized Loan Total} & \end{array}$$

In a discussion of this issue, it was explained that these amounts were based upon intense counseling with the student and that these loan amounts were awarded per the student request. It was further explained that the student could come back at any time to request additional funds should they so choose, which was evidenced in some of the student files where additional loans were in fact awarded to some students. However, there was nothing in the files to document that the students did in fact request a smaller amount of loan than they were eligible.

**Required Action:** Crossett must revise its packaging policy to ensure it complies with federal requirements. This policy should ensure that decisions concerning the loan amount a student receives are based on a case-by-case basis and reflect the student's specific needs. A copy of the revised policy must be provided in response to this report.

#### **Finding 6: Verification Violation**

**Citation:** An institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for Title IV, HEA assistance for students who are selected for verification. If an application is selected for verification, an institution must verify (1) adjusted gross income (AGI), (2) U.S. income tax paid, (3) household size, (4) number of household size enrolled in college, and (5) certain untaxed income. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. An institution is also required to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV, HEA programs. *34 C.F.R. §§ 668.51 through 668.61*

**Noncompliance:** Crossett did not properly complete verification for student #12. The student was separated, and Crossett used only the student income for verification purposes. However, the full tax paid of \$5,426 from the joint tax return was used in the calculation. Since only the student income was used in the calculation, Crossett should have adjusted the tax paid proportionately. The appropriate allocation in this instance was \$1,992, which should have been the amount used in the calculation.

**Required Action:** During the review, Crossett recalculated the student's EFC using the correct tax paid figure, resulting in no change to the EFC. No further action is required.

**Finding 7: Ineligible Unsubsidized Loan for Dependent Student**

**Citation:** Effective for loans first disbursed on or after July 1, 2008, dependent undergraduate students (excluding dependent undergraduates whose parents are unable to obtain PLUS Loans) are eligible for an additional \$2,000 in unsubsidized Stafford Loan funds each academic year. There are higher additional unsubsidized annual loan limits for independent undergraduate students. These higher additional unsubsidized loan limits also apply to dependent undergraduate students whose parents are unable to borrow PLUS Loans due to adverse credit or other documented exceptional circumstances. *34 C.F.R. § 685.203(c)(1)*

**Noncompliance:** Student #10 is a dependent student who was awarded unsubsidized loan at the independent undergraduate student limit, though the student's parents did not apply for and therefore were not denied a PLUS loan. This student was overawarded an unsubsidized loan, the first half of which was disbursed to the student account.

**Required Action:** While the reviewers were on sight, Crossett contacted the parents and had them apply for a PLUS loan. The parents' credit was not denied. Crossett returned the ineligible unsubsidized funds to the Direct Loan account. Therefore, no further action is required for this finding.

**Finding 8: Ineligible Pell Grant Disbursement**

**Citation:** The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends full-time for a full academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. For example, the 2011-12 award year begins July 1, 2011 and ends June 30, 2012. *34 C.F.R. § 600.2*

**Noncompliance:** Student #2 began attendance May 23, 2010, during the 2009-10 award year. The student's second disbursement occurred September 28, 2010 in the amount of \$2,675, after the beginning of the 2010-11 award year. However, there was no 2010-11 ISIR on file for the student. Crossett paid the 2010-11 disbursement using the 2009-10 ISIR. Since there was no 2010-11 application on file, this was an ineligible disbursement.

**Required Action:** Crossett must submit documentation that the student was in fact eligible for the disbursement made during the 2010-11 award year. If Crossett is unable to submit the required documentation, the ineligible disbursement must be returned to the program. Documentation that the required return was made must be submitted in Crossett's response.

**Finding 9: Consumer Information Requirements Not Met**

**Citation:** An institution is required to disclose information regarding the institution to students, both current and prospective, and employees. Among this information is a requirement to observe Constitution Day and Citizenship Day. Institutions that receive federal aid are required to provide an educational program commemorating the signing of the Constitution every September 17 [Public Law 108-447].

In addition, an institution must make voter registration forms widely available to its students, unless the institution is in a state without voter registration requirements or that allows voters to register at the time of voting. The institution can mail paper copies, or, alternatively, it may distribute voter registration forms by electronically transmitting to each student a message containing an acceptable voter registration form or an Internet address where that form can be downloaded. The electronic message must be devoted exclusively to voter registration. It must individually distribute the forms to its degree- or certificate-seeking (FSA-eligible) students. [HEA Section 487 (a)]. 34 C.F.R. § 668.14

Finally, before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program and how and when those funds will be disbursed. If those funds include Direct Loan Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. 34 C.F.R. § 668.165(a)(1)

**Noncompliance:** Crossett was unable to provide information or documentation that Constitution Day is observed as prescribed by law. Additionally, Crossett does not provide required voter registration documents to its students nor is Crossett able to document that it provides award notices to its students prior to disbursing title IV, HEA program funds.

**Required Action:** Crossett must review the requirements for Constitution and Citizenship Day as well as the Voter Registration requirements and develop a policy and procedure for these consumer information requirements. Crossett must also review the requirements for the award notices and develop a notice for students who receive Title IV, HEA program funds. A copy of the policies and the notice must be submitted with the institution response to the program review report.

#### **D. Appendix**

Appendix A (Student Sample) contains personally identifiable information; therefore, the appendix was provided to institutional officials while on site.

## PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Final Program Review Determination  
PRCN #: 201240628013

## Appendix C

Crossett's Response  
to the Program Review Report

**CROSSETT SCHOOL OF COSMETOLOGY**

121 PINE ST.

CROSSETT, AR 71635

PHONE (870) 304-2545

FAX (870) 305-1158

November 14<sup>th</sup>, 2012

**RE: Program Review**  
**OPE ID: 03912300**  
**PRCN: 201240628013**

**Dear Mr. Anderson,**

Please find enclosed the response prepared by Crossett School of Cosmetology to the program review conducted by Ms. Brittny Stubblefield, along with yourself, from August 13, 2012 through August 15, 2012.

This report responds to each finding individually indicating the corrective actions taken by Crossett School of Cosmetology. There are 9 responses to 9 findings altogether. Required supporting documentation has been submitted with this report. Crossett has made a good faith effort to resolve all issues related to each finding.

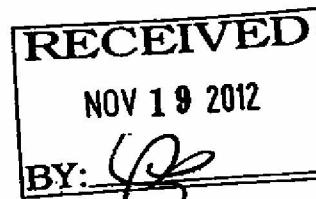
Please note there is no Personally Identifiable Information (PII) contained in this report. Any student information reported in a response is referenced by the student number created by Federal Student Aid, which were assigned in Appendix A during the program review.

I would like to express my appreciation for your advice and timely answers to my questions throughout this process. If you have any questions concerning this report, please contact myself, Lori Freeman, at (870) 304-9475 or [ljfreeman@windstream.net](mailto:ljfreeman@windstream.net)

**Sincerely,**

(b)(6); (b)(7)(C); (b)(7)(C)

Lori Freeman  
Financial Aid Director  
Crossett School of Cosmetology



**CROSSETT SCHOOL OF COSMETOLOGY**

**121 PINE ST.  
CROSSETT, AR 71635  
PHONE (870) 304-2545  
FAX (870) 305-1158**

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**November 14<sup>th</sup>, 2012**

**Prepared for  
U.S. Department of Education  
Federal Student Aid  
Dallas School Participation Division**

**OPE ID 03912300  
PRCN 201240628013**

**Prepared by  
Lori Freeman**

**CROSSETT SCHOOL OF COSMETOLOGY**

**RESPONSE  
TO**

**Program Review Report  
November 14<sup>th</sup>, 2012**

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Cost of Attendance Form.....	Exhibit 4
Bank Documentation.....	Exhibit 5

### **Finding 1. Campus Security Procedures Inadequate**

**Response:** Crossett School of Cosmetology has revised its annual security report to include all the required crime categories and has provided a copy to all current students and employees. A paper copy was mailed to each current student and employee of Crossett School of Cosmetology on November 5<sup>th</sup>, 2012. The categories added to the Campus Security Report are as follows:

- \* Larceny-theft
- \* Simple assault
- \* Intimidation
- \* Destruction/damage/vandalism of property

In addition, the institution has updated the required information on our website at [www.crossettschoolofcosmetology.com](http://www.crossettschoolofcosmetology.com)

Prospective students and employees will be informed of the report's availability during an entrance interview and be provided a paper copy upon request.

### **Finding 2. Use of Current Year Aid to Pay Prior Year Charges**

**Response:** Crossett School of Cosmetology has developed a procedure that will ensure the Department of Education that current year aid will no longer be applied to prior year charges in excess of \$200.00. Previously, the total tuition charge of the program was posted to a student's ledger and charged to the student up front, making all tuition and fees allocable to that particular award year in which the student was enrolled. Currently, the total cost of the program is divided into prorated charges for the first full academic year of 900 clock hours and for a second prorated academic year of 600 hours. In circumstances of which a student does not cross over 900-1500 hours into the next award year, which may result in the student being ineligible for enough Title IV aid to pay their total cost of tuition for the program, the student will be responsible for paying the remaining balance of tuition. The school offers payment plans for circumstances such as these. If the student crosses over or begins their 2<sup>nd</sup> academic year after July 1<sup>st</sup> in which the next award year begins, then any eligible disbursements of Title IV aid received in the new award year will be credited to the student's account for the same award year they entered their 2<sup>nd</sup> academic year.

For instance, the total cost of tuition is currently \$13,800. (\$12,400 is tuition, \$1400 is for books, student kit and enrollment fee). Prorated costs of tuition plus additional fees for an academic year of 900 clock hours in the amount of \$9,667.00 will be charged to the student as of their first day of physical attendance. This amount was determined by taking the amount of tuition and dividing it equally into the amount of months it takes to complete our program according to our operating hours. Any Title IV aid awarded to the student and received by Crossett School of Cosmetology during the award year in which they started the program will be applied to their student ledger in a timely manner and only towards the fees charged during that academic year. Any credit balance will be refunded to the student within 14 calendar days after the balance occurs, unless the institution has written authorization from the student to hold the funds on the

account. The remaining cost of tuition in the amount of \$4133.00 will be charged to the student once they have reached 901 clock hours, which would be the 1<sup>st</sup> day of their 2<sup>nd</sup> academic year. Crossett has applied this new procedure to all currently enrolled students.

**Exhibit 1:** A sample of the revised student ledger has been submitted with this response.

**Finding 3: Credit Balance Deficiencies**

**Response:** Crossett School of Cosmetology has evaluated all currently enrolled students to determine if there are any outstanding credit balances. There are no outstanding credit balances due at this time. Crossett has developed a procedure to ensure that credit balance payments will be paid in a timely manner. Since the program review, the financial aid officer, Lori Freeman, has revised the student ledger to reflect separate charges occurred by the student during their 1<sup>st</sup> academic year of 900 hours and their prorated 2<sup>nd</sup> academic year of 600 hours. All payments received by the school are credited to the student ledger as of the date listed on the check. If there is a credit balance on loan funds at the end of the loan period and/or remaining other Title IV, HEA program funds by the end of the last payment period in the award year in which the student is awarded, then a disbursement will be made within 14 calendar days after the balance occurs unless the institution has written authorization from the student to hold the funds on their account. Each student has the opportunity to decline authorization or authorize Crossett School of Cosmetology to hold a credit balance on their account in the registration contract. If the student chooses to grant authorization to hold a balance, the said student may rescind the authorization anytime by submitting a written or verbal request to the financial aid officer.

**Finding 4: Inadequate Authorization to Hold Credit Balance Funds**

**Response:** Crossett School of Cosmetology has revised its credit balance authorization requirements to ensure that it complies with regulations. The institution has provided a copy of the revised authorization to all of its currently enrolled students. Each student is aware that if they authorize Crossett School of Cosmetology to hold a credit balance on their account that they may rescind this decision at any time by submitting a written request or verbal request to the financial aid officer. In addition, the students have the option to decline authorization for Crossett School of Cosmetology to hold a credit balance. Under such circumstances, Crossett School of Cosmetology will determine if a credit balance has occurred on the student ledger. If so, the institute will disburse a refund to the student within 14 days of which the balance occurred. The revised credit balance authorization may be found on the 2<sup>nd</sup> page of the registration contract.

**Exhibit 2:** A copy of the revised authorization to hold a credit balance has been submitted with this response.

**Finding 5: Blanket Packaging Policy/Loan Under-awards**

**Response:** Crossett School of Cosmetology has revised its packaging policy to ensure it complies with federal requirements. The award letter and cost of attendance form attached to this response will ensure that decisions concerning the loan amount a student receives are based on a case-by-case basis and reflect the student's specific needs.

**Exhibit 3: Award Letter and Exhibit 4: Cost of Attendance Form**

**Finding 6: Verification Violation**

**Response:** During the review, Crossett School of Cosmetology recalculated the student's EFC using the correct tax paid figure, resulting in no change to the EFC. No further action is required.

**Finding 7: Ineligible Unsubsidized Loan for Dependent Student**

**Response:** While the reviewers were on sight, Crossett contacted the parents and had them apply for a PLUS loan. The parents' credit was not denied. Crossett returned the ineligible unsubsidized funds to the Direct Loan account. Therefore, no further action is required.

**Finding 8: Ineligible Pell Grant Disbursement**

**Response:** After much discussion during the program review, Crossett School of Cosmetology agrees that student #2 was in fact ineligible for the disbursement made during the 2010-2011 award year.

**Exhibit 5:** Documentation is provided in this response showing that \$2675.00 was returned to the Pell account with intentions of being sent back to the Department. First Advisors, has been notified by Crossett with the request to return these funds through COD.

**Finding 9: Consumer Information Requirements Not Met**

**Response:** Crossett School of Cosmetology has developed an educational program commemorating the signing of the Constitution to be presented September 17<sup>th</sup> every year. Our program consists of fascinating facts about the U.S. Constitution, and a word search puzzle that we found at [www.constitutionfacts.com](http://www.constitutionfacts.com). A list of the signers of the Constitution and the first page of the Constitution will also be provided to our students and staff. Our institution now makes voter registration forms available to both current and prospective students and employees. Since the program review, we have mailed a voter's registration form to all of our current students and employees. A printable voter's registration form may also be viewed at [www.crossettschoolofcosmetology.com](http://www.crossettschoolofcosmetology.com). Crossett School of Cosmetology has composed an award letter and will provide it to students prior to enrollment and disbursing Title IV, HEA program funds. A copy of the award letter is attached to this response.

**Exhibit 3: Award letter**

**Name of institution:** Crossett School of Cosmetology

**Crossett School of Cosmetology**

No.	Description/Name	Intelligible Disbursement	Program	Disbursement Return Paid Date	No. of Days	CVFR or Interest	Federal Share	To ED	To Inst Accounts
-----	------------------	---------------------------	---------	-------------------------------	-------------	------------------	---------------	-------	------------------

[illegible]

**\$2,675.00**

	Federal Share
Total	

\$	2,675.00	\$	2,675.00
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## Interest Breakdown

### Pell Grants

54.60	\$
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# Accounting Document – Prior Year Monetary Recovery (AD-PYMR)

**Institution:** Crossett School of Cosmetology

**City, State:** Crossett, AR

**PRCN:** 40628013

**TIN:** 710849754

**DUNS:** 106762821

**Reviewer:** Bruce Anderson

**Region:** Dallas

**Date:** 1/25/2013

## Section A - Use if no adjustments are being made in COD

Programs	Type	Amount	Funding Code	Object Class
Federal Pell Grant (Closed AY)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
ACG	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
National SMART	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FSEOG (No FISAP Corrections)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FWS (No FISAP Corrections)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
Direct Loan and Direct Loan EAL	Principal		4253XNOYR	53020 or 53010
	Interest		4253XNOYR	53040
FFEL and FFEL EAL	Interest/ SA/EAL		4251XNOYR	53020
Federal Perkins	Principal		2915RNOYR	53054

## Section B: Use if the Institution is instructed to make adjustments in COD

Add rows if necessary			Amount			G5 Program Award # *
Pell, ACG, SMART, TEACH	Pell/2009	Principal	\$2,675	3875FNOYR	69020	P063P095715
	Pell/2009	Imputed Interest	\$ 54.80	1435RNOYR	64020	
Direct Loan (do not use for estimated loss)	Award Year	Principal		3875FNOYR	69020	
	Award Year	Imputed Interest		4253XNOYR	53040	

Comments:

\* G5 Award # (P063P104306, first 5 digits = program, next 2 digits = award year, next 4 digits = code unique to school). Note: It is important that the year in the G5 award number correspond to the award year for which any adjustments are being made, or for which the balance has been incurred (in the case of an unsubstantiated cash or negative cash balance). If the reviewer is unsure after looking in G5, contact Susan Lewey for Pell or DL, or Tremia Haythe for FWS or FSEOG.

Example of G5 award numbers for a single school for the 2009-2010 award year, Pell vs. DL:

Pell is designated by "P063P" and DL is designated by "P268K"

P063P091445 (Pell 2009-2010 award - Pell uses the final two digits of the leading award year in the award number)

P268K101445 (Direct Loan 2009-2010 award - DL uses the final two digits of the trailing award year in the award number)

Example of G5 award number for FWS and FSEOG

FWS is designated by "P033A" and FSEOG is designated by "P007A"

P033A092121 (FWS 2009-2010 award - FWS uses the final two digits of the leading award year in the award number)

P007A092121 (FSEOG 2009-2010 award - FSEOG uses the final two digits of the leading award year in the award number)

See FPRD Distribution Form for distribution information for this form and related program review documents.